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UNCLAS SECTION 01 OF 02 ANKARA 005075

SIPDIS

SENSITIVE

STATE FOR E, EB/IFD AND EUR/SE  
TREASURY FOR OASIA - MILLS AND LEICHTER  
NSC FOR BRYZA

E.O. 12958: N/A

TAGS: [EFIN](#) [TU](#)

SUBJECT: MORE ON PRIVATIZATION, UZANS, AND BRSA

REF: A. A) ANKARA 4956  
[1](#)B. B) ANKARA 4832  
[1](#)C. C) ANKARA 4528

[1](#)1. (SBU) SUMMARY: RECENT MEETINGS WITH BANKING REGULATORS AND THE PRIVATIZATION AUTHORITY HAVE REINFORCED THE MESSAGE THAT: A) GOT OFFICIALS BELIEVE THE UZANS' FAILED PURCHASE OF PETKIM WILL NOT HVE A SIGNIFICANT EFFECT ON TURKEY'S PRIVATIZATION PROGRAM, BUT B) THE IMAR BANK CASE IS RATCHETING UP PRESSURE ON THE BRSA. END SUMMARY.

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GOT OFFICIALS ASSERT PRIVATIZATION PROGRAM ON TRACK DESPITE PETKIM FAILURE:  
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[1](#)2. (SBU) THE UZAN GROUP'S STANDARD KIMYA FAILED TO COME UP WITH THE REQUIRED \$240 MILLION INITIAL PAYMENT AND CREDIBLE BANK GUARANTEES FOR THE REMAINING \$365 MILLION DUE AUGUST 6 FOR THE PURCHASE OF STATE-OWNED PETKIM. THE FAILURE TO PAY DISQUALIFIES THE UZANS FROM THE PETKIM PRIVATIZATION AND, ACCORDING TO PRIVATIZATION AUTHORITY (PA) PRESIDENT KILCI'S COMMENTS IN THE PRESS, FROM ALL FUTURE PRIVATIZATION TENDERS.

[1](#)3. (SBU) IN AN AUGUST 7 MEETING WITH EMBOFFS, PA VICE PRESIDENT HIDAYET KAYA POINTED OUT THAT THE UZAN GROUP HAD PREVIOUSLY PARTICIPATED IN SEVERAL PRIVATIZATIONS AND HAD ALWAYS MADE REQUIRED PAYMENTS. NOW, OBVIOUSLY, THE SITUATION HAD CHANGED AND THE PRIVATIZATION BOARD WOULD HAVE TO BE MORE CAREFUL ABOUT THE FINANCIAL CREDIBILITY OF BIDDERS.

[1](#)4. (SBU) THOUGH IT IS A BLOW TO THE UZANS, KAYA ARGUED THAT THE TEMPORARY FAILURE OF THE PETKIM PRIVATIZATION IS NOT A SIGNIFICANT BLOW TO THE OVERALL PRIVATIZATION PROGRAM. KAYA WAS AT PAINS TO EMPHASIZE THAT THE PA IS MOVING QUICKLY TO RE-BID PETKIM, RE-ENGAGING WITH COMPANIES THAT HAD EXPRESSED INTEREST THE FIRST TIME AROUND, AS WELL AS WITH OTHER COMPANIES. THOUGH THE PRECISE TIMING IS NOT YET CLEAR, THE PA HOPES TO PUT OUT THE NEW TENDER QUICKLY, PROBABLY BY SEPTEMBER, WITH BID COLLECTION BY DECEMBER AND A FINAL DEAL BY JANUARY.

[1](#)5. (SBU) KAYA CLAIMED THAT THE PETKIM DELAY WOULD NOT BE SIGNIFICANT FROM A BUDGETARY STANDPOINT. BEFORE THE TENDER, THE GOVERNMENT HAD PROJECTED \$500 MILLION IN RECEIPTS FOR PETKIM, THOUGH THE UZANS ACTUAL BID WAS HIGHER. FOR 2003, THE REVENUE WHICH THE TURKISH STATE WILL NO LONGER RECEIVE IN THE FORM OF THE UZANS' DOWN PAYMENT IS \$240 MILLION, WHICH, DEPENDING ON EXCHANGE RATES, IS ABOUT 1.4 PERCENT OF PROJECTED 2003 TOTAL PUBLIC SECTOR REVENUE. IF, AS SEEMS LIKELY, THE RE-BID PETKIM TENDER GARNERS A BID ROUGHLY IN LINE WITH THE \$500 MILLION PROJECTION, THE FISCAL IMPACT OF THE CURRENT TENDER'S FAILURE WILL BE TO SHIFT THE REVENUE INTO 2004 RATHER THAN LOSE IT OUTRIGHT. ON THE MUCH MORE SIGNIFICANT TUPRAS AND TEKEL PRIVATIZATIONS, KAYA CONFIRMED THE TIMETABLE DESCRIBED BY PRESIDENT KILCI IN REF C: DEALS BY DECEMBER OR JANUARY BUT ONLY A PORTION OF THE PAYMENT IN CASH AT THAT TIME. THOUGH THESE SALES ARE UNLIKELY TO PRODUCE SIZABLE REVENUES WITHIN THE 2003 BUDGET YEAR, IT WOULD MEAN THE PRIVATIZATION PROGRAM IS MOVING AHEAD AND BROADLY IN LINE WITH THE FUND PROGRAM. KAYA NOTED THAT TUPRAS AND TEKEL, UNLIKE PETKIM, WERE ATTRACTING GREAT INTEREST FROM POTENTIAL BUYERS.

[1](#)6. (SBU) THE MUCH MORE POLTICALLY-SENSITIVE TURK TELEKOM

PRIVATIZATION, HOWEVER, CONTINUES TO INCH FORWARD AT A SNAIL'S PACE. KAYA'S COLLEAGUE HANDE ASCILI, RESPONSIBLE FOR THE TURK TELEKOM PRIVATIZATION, EXPLAINED THAT UNLIKE THE OTHER PRIVATIZATIONS, BY LAW THE TURK TELEKOM DEAL IS BEING SUPERVISED BY A BROADER GROUP OF GOVERNMENT AGENCIES THAN THE PRIVATIZATION AUTHORITY ALONE. A VALUATION IS EXPECTED TO BE COMPLETED IN AUGUST AFTER WHICH THE "VALUE ASSESSMENT" COMMITTEE FORMED IN 2002 WILL REVIEW IT. ERNST AND YOUNG AND ROTHSCHILD HAVE BEEN RETAINED AS CONSULTANTS. THE PRIVATIZATION IS MOST LIKELY TO TAKE PLACE IN 2004. DESPITE THE SLOWNESS OF THE TURK TELEKOM PROCESS IN THE PAST BOTH PRIVATIZATION AUTHORITY OFFICIALS STRESSED THE CURRENT GOVERNMENT'S STRONG COMMITMENT TO PRIVATIZATION.

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THE IMAR BANK CASE'S NEGATIVE IMPACT ON BRSA:  
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17. (SBU) AS REPORTED IN REFS A AND B, THE IMAR BANK CASE THREATENS TO WEAKEN THE AUTHORITY OF INDEPENDENT BANK REGULATOR BRSA. MANY LOCAL OBSERVERS, PARTICULARLY IN THE PRESS, ARE BLAMING THE BRSA FOR FAILING TO CATCH THE IRREGULARITIES AT IMAR BANK AT AN EARLIER STAGE. BRSA VICE PRESIDENT TEOMAN KERMAN, WITH WHOM EMBOFFS MET AUGUST 8, APPEARED AT LEAST AS STRESSED AS BRSA PRESIDENT AKCAKOCA A WEEK EARLIER. KERMAN ADMITTED THAT BRSA WAS LOSING THE PUBLIC RELATIONS BATTLE OVER IMAR. HAVING TAKEN OVER 22 BANKS IN RECENT YEARS, AND HAVING REFERRED MANY BANKING CRIME CASES TO PROSECUTORS, KERMAN NOTED THAT IT IS NOT SURPRISING MANY PEOPLE WOULD SEEK OPPORTUNITIES TO GO AFTER THE AGENCY. TO MAKE MATTERS WORSE, TURKEY'S MEDIA GROUPS ALSO OWN BANKS, AND SOMETIMES RESENT BRSA'S TREATMENT OF THEIR OWN OR COMPETITORS' BANKS.

18. (SBU) KERMAN ALSO RAILED AGAINST THE PARLIAMENTARY ANTI-CORRUPTION COMMISSION'S TRANSMISSION OF TWO FILES TO PROSECUTORS RELATING TO ALLEGED BRSA CORRUPTION, CITING KERMAN HIMSELF. ACCORDING TO KERMAN, THE CORRUPTION ALLEGATIONS DO NOT ARISE FROM TANGIBLE EVIDENCE OTHER THAN BRSA HAVING ALLEGEDLY SOLD ASSETS OF INTERVENED BANKS FOR LESS THAN SOME SAY THEY ARE WORTH. KERMAN HAS BEEN REBUFFED IN HIS ATTEMPTS TO GET THE COMMISSION OR PROSECUTORS TO LOOK AT HIS VERY MODEST ASSETS AND LIFESTYLE FOR EVIDENCE OF ANY PERSONAL GAIN, RATHER THAN ASSUMING THE SALE OF ASSETS FOR LESS THAN THEIR ASSUMED WORTH INDICATED CORRUPTION HAD TAKEN PLACE.

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